

LAW
ON PRIVATIZATION

("Official Herald of the Republic of Serbia", No. 83/2014, 46/2015, 112/2015 and 20/2016 - authentic interpretation)

I GENERAL PROVISIONS

Subject of the Law

Article 1

This Law regulates the conditions and procedures for change of ownership over socially owned and public capital and assets.

Definitions

Article 2

Certain terms used herein shall have the following meanings:

1. Privatization in terms of this law is the change of ownership over capital and assets of legal entities that operate with socially owned and public capital. Privatization in terms of this law also implies the following:

- Sale of shares or stakes that were, after termination of the agreement of sale of capital concluded in the privatization process, transferred and recorded in the Register of Shares and Stakes transferred after termination of the agreement concluded in the privatization process;
- Sale of assets in companies where the agreement on the sale of capital has been terminated;
- Sale of shares and/or stakes of the Shareholder Fund, as well as of the Development Fund of the RS and the Fund for Pension and Disability Insurance.

2. Public capital is the capital of the Republic of Serbia, autonomous province and local self-government units;

3. Subject of privatization is:

- Socially owned or public capital and assets in companies and other legal entities, including public companies and public capital in form of shares or interests;

- shares and/or stakes after the termination of the agreement on the sale of capital;

- assets of enterprises for which the agreement on the sale of capital has been terminated;

- shares and/or stakes of the Shareholder Fund, as well as of the Development Fund of the RS and the Fund for Pension and Disability Insurance, when sold together with shares or stakes of the Shareholder Fund;

4. Privatization entities are enterprises, companies, and other legal entities undergoing ownership transfer, including public companies initiated for privatization;

4a) Big subject of privatization is a privatization entity whose business income for the business year preceding the initiation of the privatization procedure equals at least 50 billion dinars;

5. Privatization models are the sale of capital, sale of assets, strategic partnership and capital transfer free of charge;

6. Privatization methods are public collection of bids with subsequent public bidding and public collection of bids;

7. Participant in the privatization process is a person who submitted an application for participation in the privatization process;

8. Buyer is a domestic or foreign legal or natural person who has been declared a buyer or an individual with whom a sales agreement has been concluded;

9. Strategic Investor is a domestic or foreign legal entity that has signed an Agreement on Strategic Partnership with a privatization entity, in this case, the Republic of Serbia;

10. Means of Payment are domestic or foreign convertible currency;

11. Letter of Interest is expressed interest in a particular subject and model of privatization containing basic information on the interested buyer or strategic investor, with proposed indicative price, investment program, tentative plan of operations and number of full-time employees, as well as other relevant information set forth by Public Invitation;

12. Fair Market Value is a fair value as defined by International Financial Reporting Standards 13 - Fair Value Measurement;

13. Method of public collection of bids with subsequent public bidding is a privatization technique for the sale of capital and assets of privatization entity and its subsidiaries based on bid submission and participation in public bidding procedure;

14. Method of public collection of bids is a privatization method that envisages the submission of bids for the selection of strategic investor as well as in the procedure of selling the capital of big subjects of privatization;

15. The initial price for the sale of capital and/or assets shall amount to at least one-half of the estimated value of capital and/or assets, while the new starting price at the second collection of bids and public bidding shall amount to at least one-third of the estimated value of capital and/or assets;

16. Sale of capital is a privatization model whose subject of sale is public capital or socially owned capital undergoing privatization, shares and stakes after the termination of the agreement on the sale of capital concluded in the privatization process, as well as shares

and/or stakes of the Shareholder Fund, and the Fund for the Development of the RS and the Pension and Disability Insurance Fund;

17. Assets Sale is a model of privatization that envisages the sale of assets or part of the assets of the privatization entity and its subsidiaries in the privatization procedure;

18. Asset Sale Program is a program on asset sale rendered by privatization entity and its subsidiaries and adopted by the Ministry responsible for economic affairs within the time limit specified by this law;

19. Strategic Partnership is a model of privatization based on institutional interaction between domestic or foreign legal entities and privatization entity, or in this case, the Republic of Serbia, which is implemented through a joint venture by establishing a new company or the capital increase of the current privatization entity;

20. Establishment of a new company is the setting up of an enterprise, founded by the Republic of Serbia

and a strategic investor, with a stake of the Republic of Serbia being the property acquired as claims against the privatization entity selected for strategic partnership, via the "giving in payment" (datio in solutum);

21. Capital increase of the current privatization entity is the increase of basic capital in a company subject to privatization for which the Government of the Republic of Serbia (hereinafter: Government) has adopted a decision on strategic partnership;

22. Strategic Partnership Agreement is a contract on the capital increase of the existing privatization entity concluded by the Republic of Serbia, a strategic investor and privatization entity, as well as the agreement on the establishment of a new company concluded between the Republic of Serbia and a strategic investor.

23. Transfer of capital free of charge to employees is the transfer of capital in privatization entity with socially owned capital that is being privatized through a capital sale model by transferring up to 30% of the capital to employees free of charge, in shares or stakes;

24. Transfer of capital free of charge to a strategic investor is the transfer of capital to an investor in case of positive business results, in accordance with regulations governing incentives for investments and based on a Government decision;

25. Measures for disburdening and the preparation of privatization entity are measures that may be set by the Government in case of privatization of the entity through the sale of capital or capital increase of the existing privatization entity, under the terms of this law.

26. Conditional Debt write-off is a measure for disburdening and the preparation of privatization entity according to which the state creditors undertake to write off the debt of the privatization entity that is operating entirely with majority socially owned or public capital, or capital that was, after the termination of the privatization agreement, transferred and recorded in the Register of shares and stakes transferred after termination of the agreement concluded in the privatization process, as of the December 31st of the last business year. Debt write-off shall be valid if the capital of the privatization entity has been sold, or if the agreement on capital increase has been concluded;

27. Debt-equity swap (conversion) is a measure for the preparation and disburdening the privatization entity according to which the claims of creditors are converted into a permanent stake in the capital of the entity to be privatized.

28. State creditors are as follows: public enterprise, Tax Administration, National Pension and Disability Insurance Fund, National Health Insurance Bureau, National Directorate for Commodity Reserves, Development Fund of the Republic of Serbia and other national authorities and organizations, including the Autonomous Province of Vojvodina and local self- government units.

The Deposit Insurance Agency shall also be considered a state creditor when performing the function of bankruptcy trustee during bankruptcy of banks and when administering on behalf and for the account of the Republic of Serbia, with claims of the Republic of Serbia arising from assumed foreign liabilities;

29. Secured creditors are creditors who have claims secured by a mortgage or lien on the assets of the privatization enterprise, as well as creditors who through a final court decision became entitled to be settled out of the entity's movable or immovable assets;

30. Suspension of procedure is applied in case of awareness of circumstances unknown at the time of initiating the proceedings and which completely prevent the sale of capital and/or assets of the privatization entity;

31. Control of buyer's obligations under the agreement is control exercised by the Ministry responsible for economic affairs so as to verify the performance of the buyer's contractual obligations;

32. Bankruptcy aimed at completing privatization is a bankruptcy proceedings initiated by the Ministry responsible for economic affairs against the privatization entity, with due reasons for bankruptcy under the provisions of this law and the Law on Bankruptcy, and for the purpose of completion of privatization.

33. Register of shares and stakes transferred after termination of the agreement concluded in the privatization process is a register into which, after the termination of a agreement concluded in the privatization process, the shares and stakes shall be transferred and recorded, and which shall be kept by

the Ministry responsible for economic affairs (hereinafter referred to as: the Register). The Register shall contain the name of the privatization entity whose portion of capital shall be recorded in the Register, data on the amount of capital, or number of shares to be recorded, and other data.

Relation to Other Laws and Enforcement of the Provisions of this Law

Article 3

The provisions of this law shall apply to privatization entities with the seat in the territory of the Republic of Serbia.

If this Law governs an issue that any other law regulates differently, the provisions of this law shall prevail.

Notwithstanding paragraph 2 of this Article, the provisions of this law shall not apply to sports organizations, media founders, the companies for professional rehabilitation and employment of disabled persons and the companies that hold a license for the production of weapons and military equipment, issued in accordance with the law governing the production and trade of weapons and military equipment, unless the laws governing the status of these companies stipulate the application of provisions of this law.

In the process of privatization, the provisions of the law governing companies on disposal of the high values assets shall not be applied and there will be no separate decisions on the sale of assets.

Principles of Privatization

Article 4

Privatization is based on the following principles:

- 1) Creation of conditions for economic development;
- 2) Reduction of negative fiscal effects;
- 3) Ensuring openness to the public and transparency;
- 4) Prevention of corruption;
- 5) Formation of selling prices at fair market conditions;
- 6) Creation of conditions for social stability.

Subject of Privatization

Article 5

Subject of privatization shall be considered as follows:

- 1) Socially owned or public capital and/or assets of companies and other legal entities, including public enterprises;
- 2) Public equity expressed in stakes or shares;
- 3) Shares and stakes transferred and recorded in the Register after termination of the agreement of sale of capital concluded in the privatization process;
- 4) Assets in companies referred to in Article 3 of this paragraph;
- 5) Stakes and shares of the Shareholder Fund, as well as of the Development Fund of the RS and the Pension and Disability Insurance Fund.

Subject of privatization may be the land entered in a relevant real estate rights registry as social, mixed or property of the subject to be privatized.

The subject of privatization may not be natural resources, goods in general use, goods of general interest, as well as cultural assets under public ownership entered in the register of cultural heritage, which shall be conducted in accordance with the law governing cultural property.

Mandatory Deadline for the Implementation of Privatization

Article 6

Privatization is mandatory for the entities with socially-owned capital.

Socially owned capital of the privatization entity must be privatized no later than 31 December 2015.

The provision of paragraph 2 of this Article shall not apply to the subjects of privatization which were determined by a Government decision as subjects of privatization of strategic importance, as well as to the subjects of privatization whose business seat is located, or whose main business activities are performed in the territory of the Autonomous Province of Kosovo and Metohija, or whose assets are also located in the territory of the Autonomous Province of Kosovo and Metohija.

The Government shall prescribe the conditions, manner and procedure of sale of capital of big

subjects of privatization by method of public collection of bids.

The privatization of public capital and assets of entities that operate with public capital shall be implemented based on the decision adopted by the Government, competent authority of the autonomous province or local self-government unit.

Privatization procedure is deemed implemented if a agreement on the sale of capital is concluded and if all requirements are met for the transfer of ownership of capital, envisaged by the sales agreement (payment of the purchase price, delivery of the bank guarantee, registration of change of ownership in the relevant register), including the Asset Sale Program (hereinafter: Program).

Entities Responsible for the Implementation of Privatization

Article 7

The Ministry responsible for economic affairs shall implement and control all the processes of privatization in the Republic of Serbia and shall perform the tasks of agency in the sale of public and socially owned capital in the privatization process, as follows:

- 1) Implements the privatization process: enacts or proposes a model and method of privatization, as well as measures for the preparation of the privatization entity and its relief from liabilities, in accordance with this Law, issues a public call for collection of letters of interest, collects and processes data about potential buyers of capital and assets of the privatization entity who have expressed interest in participating in the privatization process, submits a proposal for initiation of bankruptcy proceedings, if one of the conditions for bankruptcy stipulated by this Law and the law governing bankruptcy is fulfilled, defines the criteria for participation in the public collection of bids with subsequent public bidding, conditions of sale, as well as buyers covenants (investments, social program, business continuity etc.), organizes and conducts the procedure of sale of capital and assets of the privatization entity, as well as the procedure of privatization by model of strategic partnership;
- 2) Controls the privatization process: checks the fulfillment of the buyer's covenants from the agreement of sale of capital or assets, fulfillment of the obligations of the strategic investor in the

agreement on strategic partnership, accordance of programs for sale of assets with privatization regulations, whether the inflow of funds originating from the executed sale is in accordance with the agreement of sale, transfer of gratuitous shares to employees, the amount of investment envisaged by the investment project, in accordance with the regulation governing the conditions and manner of attracting direct investments;

3) Sells public capital expressed in shares or stakes, as well as the shares or stakes of the Shareholders Fund, the Development Fund of the Republic of Serbia, the fund of the Republic responsible for pension and disability insurance that were transferred on the basis of the Law on Ownership Transformation ("Official Herald of RS" Nos. 32/97 and 10/01), sells shares or stakes that were transferred and recorded in the Register;

4) Keeps the Register, in accordance with this Law;

5) Acts in the name and for the account of the Shareholders Fund and performs other activities in accordance with the law governing the right to gratuitous shares and financial compensation realized by the citizens in the privatization process;

6) Also performs other tasks in accordance with this Law and other regulations.

Ministries, securities depository and clearing house, the registry responsible for the registration of business entities and liens, registries authorized for registration of real estate rights and other agencies and organizations, shall all within their jurisdiction and given the activities of certain privatization entities, and at the request of the Ministry responsible for economic affairs, provide professional, technical and other support to the effective implementation of the privatization process and submit data and documents within their authority free of charge.

Privatization Models

Article 8

Privatization models are as follows:

- Sale of capital;
- Asset sale;
- Transfer of capital free of charge;

- Strategic partnership.

Privatization Methods

Article 9

The method of sale of capital and/or assets is public collection of bids with subsequent public bidding.

The capital of privatization entities expressed in shares may be sold:

- 1) in accordance with the law governing the securities market;
- 2) by accepting a takeover bid in accordance with the law governing the acquisition of joint stock companies.

Methods of privatization via transfer of capital free of charge shall include:

- 1) transfer to employees;
- 2) transfer to strategic investors in accordance with this Law and regulations governing FDI incentives.

Method of privatization through strategic partnership implies public collection of bids.

Combination of Multiple Methods and Models

Article 10

A combination of multiple methods and models may be applied in the privatization process for more efficient implementation of this procedure.

Measures for Disburdening and Preparation of Privatization Entity

Article 11

Measures for disburdening and preparation of privatization entity may include:

- conditional debt write-off;
- debt-equity swap (conversion).

Measures referred to in paragraph 1 of this Article may be determined only in the case of sale of capital or strategic partnership through privatization entity's capital increase.

Buyers in Privatization Process

Article 12

Buyer, pursuant to the provisions of this Law, may be a domestic or foreign legal or natural person. Only domestic legal or natural person may be a buyer of agricultural land.

Domestic or foreign legal or natural persons may unite for the purpose of purchase of the subject of privatization or strategic partnership (hereinafter: the Consortium) and to authorize one person to act as a representative.

The buyer or member of the Consortium may not be:

- 1) A person who has matured outstanding liabilities towards the subject of privatization as of the date of submission of the application for participation;
- 2) A person with whom the agreement of sale or strategic partnership was terminated due to non-fulfillment of contractual obligations;
- 3) A person who has been convicted of crimes against life and body, crimes against property, crimes against the economy, crimes against official duty, crimes against human health and crimes against public order, or against whom criminal proceedings are initiated for those crimes.

A buyer, or a member of the Consortium, may not be a domestic legal person that operates with majority socially owned capital.

A buyer may neither be a subject of privatization, or its subsidiary.

A buyer of the parent company or its subsidiary undergoing privatization may not be its subsidiary or parent company which operates with socially owned capital.

A participant in the privatization process declared as a buyer or strategic investor, who fails to take all the necessary actions and conclude the agreement in accordance with this Law, shall lose the virtue of the buyer or the strategic investor and the right to participate in future privatization procedures, as well as the right to deposit refund.

A right to participate in the privatization process shall neither belong to a family member of a participant who lost the virtue of a buyer, nor to a legal person of which he is founder.

The family members within the meaning of paragraph 8 of this Article shall be considered as parents and children.

A buyer may neither be a company in which the person referred to in paragraphs 3 and 6 of this Article owns more than 50% of capital of that company.

A buyer may neither be a founder of the company referred to in paragraph 3 items 1) and 2) of this Article.

Limitations referred to in this Article shall also apply to a strategic investor.

A buyer or a strategic investor, in terms of the provisions of this Law, may neither be a natural person, legal person or founder of a legal person who has lost the virtue of the buyer in accordance with the Law on Privatization ("Official Herald of RS", Nos. 38/01, 18/03, 45/05, 123/07, 123/07 - oth. law, 30/10 - oth. law, 93/12, 119/12, 51/14 and 52/14 - CC), nor a family member of the buyer.

Family members within the meaning of paragraph 13 of this Article shall be considered as parents and children.

Obtaining the Opinion and Consent

Article 13

Prior to concluding an agreement, the Ministry responsible for economic affairs shall obtain from the competent anti- money laundering authority an opinion on obstacles the buyer or strategic investor may encounter when concluding the agreement.

The opinion referred to in paragraph 1 of this Article shall be submitted no later than 15 days from the date of receipt of request by the Ministry responsible for economic affairs.

The Ministry responsible for economic affairs shall no later than three days after signing the agreement submit to the competent organization for the money laundering prevention a written notice that agreement has been concluded with a buyer, as well as a written notice of payment no later than three days after the payment of the purchase price.

The Ministry responsible for economic affairs shall, at the request of the competent authority for the prevention of money- laundering, promptly make available or submit any documentation at its disposal, which was created in the process of concluding the

agreement or in the process of implementation of the agreement, and thus comply with the instructions given by the competent authority.

The Finality of Decisions

Article 14

Decisions taken in accordance with this Law shall be final.

The decision referred to in paragraph 1 of this Article may be subject to administrative dispute proceedings.

Means of Payment in Privatization

Article 15

Payment in privatization may be carried out in domestic or foreign convertible currency.

Article 16

(Deleted)

Proceeds from Privatization Process

Article 17

Proceeds from the sale of capital or assets in the privatization process shall be paid into the account of the ministry responsible for economy affairs.

The funds referred to in paragraph 1 of this Article may not be subject of the compulsory enforcement proceedings.

The proceeds of the sale of socially owned capital and shares and stakes, registered in the Register, shall be transferred to the Budget of the Republic of Serbia.

The proceeds of the sale price of the socially owned capital shall be used and distributed as follows:

- 1) 10% of the funds shall be paid to the Republic's fund in charge of pension and disability insurance;
- 2) 50% of the funds shall be allocated for financing the restructuring and development of economy in the territory of the Republic of Serbia. If the headquarters of the subject of privatization is on the territory of the Autonomous Province of Vojvodina, 50% of the funds shall be allocated for financing the restructuring and development of the economy in

the territory of the Autonomous Province of Vojvodina;

3) 5% of the funds shall be allocated for the payment of compensation to persons whose property was nationalized;

4) 5% of the funds shall be allocated for financing the development of infrastructure of local authority where the headquarters of the subject of privatization are located;

5) 30% of the funds shall be allocated for other purposes, determined by a special decision of the Government.

Proceeds from the sale of assets shall be used in accordance with the Program.

The funds that are collected through the sale of public capital and the sale of shares and stakes owned by the Shareholders Fund, the Development Fund of the Republic of Serbia and the Republic Fund for Pension and Disability Insurance shall be transferred to the account of the owner of capital after deduction of the real sale costs.

The real sale costs referred to in paragraph 6 of this Article shall include expenditures related to costs of: securities market, hiring of a broker-dealer company and authorized bank, the Central Securities Depository and Clearing House, public announcement, tax on transfer of absolute rights, as well as other costs.

II PREPARATION FOR PRIVATIZATION

Public Invitation for Collecting Letters of Interest

Article 18

The Ministry responsible for economic affairs shall announce a public invitation for collecting the letters of interest for all companies from Ministry responsible for economic affairs portfolio no later than 30 days from the date of effectiveness of this law, or within 30 days of launching the privatization initiative for privatization entities for which initiatives had not been submitted by the date of this Law becoming effective, or within 30 days from termination of the agreement on the sale of capital.

The public invitation referred to in paragraph 1 of this Article shall contain:

- 1) Business name of the privatization entity;

- 2) Information on the structure and value of capital;
- 3) Description and value of property;
- 4) Other information relevant to the entity.

The deadline for submitting letters of interest is 30 days from the date of the public invitation announcement.

The public invitation referred to in paragraph 1 of this Article shall be published on the website of the Ministry responsible for economic affairs, and a notice of the invitation in at least one widely circulated daily newspaper distributed throughout the territory of the Republic of Serbia.

A Letter of Interest contains:

- 1) Basic information about the interested buyer or strategic investor;
- 2) An expression of interest for a particular subject and model of privatization;
- 3) A proposal of the indicative price, the investment program, provisional business plan and the number of full-time employees;
- 4) Other relevant information specified by public invitation.

Initiation of Privatization Process

Article 19

Privatization of the entity with socially-owned capital shall be initiated by the Ministry in charge of economic affairs.

Privatization of the entity with public capital shall be initiated by the Government, the competent authority of the autonomous province or local self-government unit.

The competent authorities referred to in paragraph 2 of this Article shall deliver the initiative to start the privatization proceedings to the Ministry responsible for economic affairs within the term of five days of the day of adoption of the initiative.

The ministry responsible for economic affairs shall deliver to the subject of privatization the initiative under para. 1 and 2 of this Article within the term of five days of the day of adoption of the initiative, or of the day when the competent authority delivers it to that ministry.

Inventory and Assessment

Article 20

The subject of privatization shall conduct an inventory and appraisal of fair market value of total assets and liabilities and equity with the balance as of December 31 st of the last business year, in accordance with the laws governing accounting and international accounting standards, within the term of 30 days from the day of announcement of public invitation for collecting the letters of interest, referred to in Article 18 hereof, and to deliver the data to the Ministry responsible for economic affairs within that term.

If 12 months have passed between the inventory and the appraisal referred to in paragraph 1 of this Article, the Ministry responsible for economic affairs shall send a request to the subject of privatization to submit the new inventory and appraisal with the balance as of December 31 st of the last business year.

The subject of privatization shall submit the inventory and appraisal referred to in paragraph 2 of this Article within the time period of 30 days from the day of delivery of the request of the Ministry responsible for economic affairs.

The Ministry in charge of economic affairs shall on the basis of the inventory and the appraisal referred to in paragraph 2 of this Article change the decision on the starting price.

The inventory and appraisal referred to in paragraph 2 of this Article shall be delivered by the Ministry responsible for economic affairs to the competent authority in order to amend the decision on the initial price, and the competent authority shall notify the Agency within 15 days of the day of delivery of the inventory and appraisal by the Agency.

Decision on the Model and Method of Privatization, Initial Price and Measures for Disburdening and Preparation of Privatization Entity

Article 21

The Ministry responsible for economic affairs shall adopt a decision establishing the model and method of privatization, the starting price and propose measures for the preparation and relief of the subject of privatization, within the term of 30 days from the day of expiry of the term for submission of letters of interest, while appreciating the following criteria:

- 1) Value of capital and assets;
- 2) Strategic importance of the subject of privatization;
- 3) Number of employees;
- 4) Expressed interest.

For the subjects of privatization that have the majority equity capital of the Republic of Serbia, the decision on the model and method shall be adopted by the Government on the basis of the proposal of the ministry responsible for economic affairs within the term of 30 days from the day of submission of the proposal of the Ministry.

For the subjects of privatization that have the majority equity capital of the autonomous province or local self-government unit, the decision on the model and method shall be adopted by the competent authority of the autonomous province, or local self-government unit, upon proposal of the ministry responsible for economic affairs, within the term of 30 days of the day of submission of the proposal of the Ministry.

The Ministry responsible for economic affairs shall notify the subject of privatization of the decision on the model and method within the term of five days of the day of adoption, or delivery of that decision to the Ministry.

The Government shall adopt a decision on the model of strategic partnerships and the manner of its implementation.

The competent authorities for adoption of the decision establishing a model and method of privatization may modify them or adopt new decisions, using the procedure prescribed in this Article.

Modification of the Model and Method Decision

Article 22

(Deleted)

III PRIVATIZATION METHODS

Public Collection of Bids with Subsequent Public Bidding

Article 23

Method of public collection of bids with subsequent public bidding is a privatization method for the sale of capital and/or assets of privatization entity.

The method referred to in paragraph 1 of this Article shall be realized by submitting bids and through public bidding of participants in accordance with this Law and the sales documents.

Sales Documents

Article 24

Sales documents in the process of public collection of bids with subsequent public bidding shall include:

- 1) Confidentiality Agreement;
- 2) Privatization documents;
- 3) Instructions to Bidders;
- 4) Application form for participation in the process of collecting public bids with subsequent public bidding;
- 5) Draft Sales Agreement.

The subject of privatization shall prepare the privatization documentation that exists on the day of inventory and appraisal referred to in Article 20 of this law, and deliver it to the Agency within the time period of 30 days from the day when the Ministry responsible for economic affairs submitted the decision on the model and method to the subject of privatization.

The subject of privatization shall simultaneously with the submission of the inventory and appraisal referred to in Article 20 paragraph 2 of this law, submit to the Ministry responsible for economic affairs new privatization documentation that existed on the day of that inventory and appraisal.

The person authorized to represent the privatization entity shall be responsible for the accuracy and completeness of the submitted privatization documents under criminal, moral and material liability.

Criteria for Participation in Public Collection of Bids with Subsequent public Bidding

Article 25

Criteria for participation in the public collection of bids with subsequent public bidding, the terms of

sale, as well as the buyer's covenants, shall be determined by the Ministry responsible for economic affairs.

Public Invitation

Article 26

The Ministry responsible for economic affairs shall prepare and publish a public invitation for the sale of capital and/or assets of privatization entity.

Public invitation contains the business name of the company, details on structure and value of the capital, description and value of capital and/or assets, initial price for the sale of capital and/or assets, deadline for submission of participation applications, as well as other information relevant to the implementation process.

The public invitation referred to in paragraph 1 of this Article shall be published in at least one widely circulated daily newspaper distributed throughout the territory of the Republic of Serbia and on the website of the Ministry responsible for economic affairs no later than 15 days before the date stipulated for submission of applications.

Purchase of the Sales Documents

Article 27

A person who has expressed an interest to participate in public collection of bids with subsequent public bidding shall be required to purchase the sales documents.

The minister responsible for economic affairs shall set the price of the sales documents referred to in paragraph 1 of this Article.

Commission for Conducting Public Collection of Bids with Subsequent Public Bidding

Article 28

Public collection of bids with subsequent public bidding shall be conducted by the Commission for conducting the public collection of bids with subsequent public bidding (hereinafter: the Commission), formed by the Minister responsible for economic affairs.

The Commission has three members and is composed of: a representative of the subject of

privatization and two representatives of the Ministry responsible for economic affairs.

A person complying with the following requirements may be appointed as a member of the Commission:

- Five years of working experience in jobs related to the economy, privatization, or in jobs belonging to the activity of the subject of privation;
- University degree.

The person referred to in paragraph 3 of this Article shall be obliged to make a statement that he/she is not a shareholder in privatization entity or its purchaser.

The Commission shall decide by majority vote of all of its members.

The Commission shall take minutes of its work.

Initial Price

Article 29*

The initial price for the sale of capital and/or assets shall amount to at least one-half of the estimated value of capital and/or assets offered for sale.

If the capital and/or assets are not sold for the price referred to in paragraph 1 of this Article, the Ministry responsible for economic affairs may, with the approval of the competent authority in terms of Article 21 of this Law, publish a new public invitation within 15 days from the day of declaring the sales procedure unsuccessful with a new starting price amounting to at least one-third of the estimated value of capital and/or assets.

Application for Participation

Article 30*

Application for participation shall be submitted to the Ministry responsible for economic affairs within the time limit specified in the public invitation, which may not be less than 15 nor more than 90 days from the date of the public invitation announcement.

Bids must be equal to or may exceed the initial price.

The deposit can be paid in cash or by the first class bank guarantee.

The amount of deposit shall be 10% of the estimated value of capital and/or assets.

The application of a participant that does not contain evidence of deposit payment shall not be considered.

Public Bidding

Article 31

Public bidding shall be conducted immediately after the opening of bids, if at least two bidders submitted a bid that is equal to or exceeds the initial price.

The highest offered price shall be the starting price at the public bidding, whereas the sales price shall be the highest price achieved in the public bidding procedure.

In the event that only one bidder submits a bid, a public bidding shall not be conducted, but instead a contract shall be concluded and the sales price shall be the price offered, which must be equal to or may exceed the initial price.

Losing the Rights and Status of the Buyer

Article 32

If a participant in the public collection of bids with subsequent public bidding, who has been declared a buyer or who has the second highest bid, fails to sign the minutes, fails to conclude the agreement or fails to make the payment within the specified term, it shall lose the status of the buyer and the right to participate in the privatization process and the right of deposit return.

Public Collection of Bids Method

Article 33

Public collection of bids shall be carried out through announcement of public invitation for selection of strategic investor.

The Government shall prescribe the qualification requirements to be met by a strategic investor.

The Ministry responsible for economic affairs shall publish a public invitation referred to in paragraph 1 of this Article.

The public invitation referred to in paragraph 1 of this Article shall be published in at least one widely circulated daily newspaper distributed throughout the territory of the Republic of Serbia and on the

website of the Ministry responsible for economic affairs no later than 30 days before the date stipulated for submission of applications.

Determining the Content of Application

Article 34

The content of the application for strategic partnership and the amount of deposit shall be determined by the Government at proposal of the ministry responsible for economic affairs.

Authorization of the Government to pass the By-laws

Article 35

The Government shall prescribe the conditions, procedure and manner of the sale of capital and/or assets by method of public collection of bids with subsequent public bidding as well as the strategic partnership model.

IV SALE OF CAPITAL

Subject of Sale

Article 36

The subject of sale shall be 70% of the socially-owned capital to be privatized, unless otherwise regulated by this law or the regulations governing the legal status of business entities and the terms and conditions of performing certain economic and other activities.

The percentage of public capital to be privatized shall be determined by the Government, the autonomous province or local self-government unit.

If after the sale of the socially-owned capital and transfer of the capital to employees there is still the unsold capital, such capital shall be transferred to the Shareholder Fund.

Agreement on the Sale of Capital

Article 37

Agreement on the Sale of Capital is the adhesion contract which may include the provisions on the following: contracting parties, subject of sale, contracted price and deadline for payment, deadline and amount of investments provided by the buyer, required operations for privatization entity, restricted disposal of assets or capital of the entity to

be privatized through alienation and encumbrance, prohibition of reducing the number of permanent employees, the obligation to pay regular salaries to employees, security instruments for duly performed contractual obligations and other provisions.

The period of contractual obligations is typically two years.

Notwithstanding paragraph 2 of this Article, due to the importance of preservation of activities, the contractual obligations period may be termed to three years by the capital sales agreement, at proposal of the relevant ministry in charge of the activities of privatization entity.

Agreement on the sale of capital shall be deemed concluded when signed by the buyer and the Ministry responsible for economic affairs and certified by the competent authority.

The Ministry responsible for economic affairs shall submit the agreement on the sale of capital to the ministry in charge of finance for the record keeping within three days of its conclusion.

Agreement on the sale of capital shall be available on the official web site of the Ministry responsible for economic affairs, within three days of its conclusion.

On the date of certification of the capital sales agreement, the Ministry responsible for economic affairs shall acquire a legal lien on the capital subject to sale, whilst the competent authority shall ex officio be obliged to register that right.

The Ministry responsible for economic affairs shall, within 15 days from the execution of the Buyer's last contractual obligation, inform the competent registry to delete the statutory lien referred to in paragraph 7 of this Article.

The agreement on sale of capital of big subjects of privatization by method of public collection of bids shall contain the provisions on: contractual parties, subject of sale, contracted price and payment deadline, terms for termination of the agreement and legal consequences of the termination of the agreement, and may contain provisions on conditions for closing of the transaction that is the subject of the agreement, representations and warranties of the seller about the big subjects of privatization, obligation to maintain the continuity of operations of the big subject of privatization, limitations to disposal of assets and equity of the big

subject of privatization, social and investment program, means of securing the proper fulfillment of contractual obligations and other provisions.

The provisions of para. 1, 2, 3, 4, 5, 6, 7 and 8 of this Article shall not apply to the agreement on sale of capital of big subjects of privatization.

Assignment of the Capital Sales Agreement

Article 38

The buyer of the capital (hereinafter: Assignor) may assign the capital sales agreement to a third party (hereinafter referred to as: Receiver), under the conditions stipulated by this law and the law governing contractual obligation relations, with prior approval of the Ministry responsible for economic affairs.

The Receiver may only be a person who meets the legal requirements for the buyer of the capital.

By assigning the capital sales agreement, the Receiver shall become the holder of all rights and obligations under the agreement.

The Assignor and Receiver shall be jointly and severally liable to the Ministry responsible for economic affairs for the performance of duties under the assigned capital sales agreement.

Own Shares

Article 39

During the execution of contractual obligations, the capital increase and new shares arising from increase in capital of privatization entity shall be subject to regulations governing the capital increase of companies and capital market, except issues otherwise regulated by this law.

The Registry responsible for securities depository and clearing and the Register of Companies shall record the capital increase of privatization entity on the basis of agreed investment when the buyer submits a certificate by the Ministry responsible for economic affairs on the execution of the contractual investment commitment.

Capital increase of the privatization entity deriving from new share issue provided by a third party during the term of the contractual obligations shall not be permitted.

Shares acquired by the buyer from new issues arising from the capital increase of privatization entity during the execution of contractual obligations shall be considered the fully paid own shares of privatization entity.

When the buyer of capital fulfils obligations under the capital sales agreement, which fulfillment is verified by the certificate of the Ministry responsible for economic affairs, the privatization entity that has acquired own shares referred to in paragraph 4 of this Article, shall transfer them free of charge to the buyer from which the shares were obtained.

The Ministry responsible for economic affairs shall submit to the register in charge of securities the decision under which the own shares are registered on privatization entity, as well as the decision based on which the own shares shall be transferred to the buyer for ex officio registry.

The Ministry responsible for economic affairs shall submit to the register in charge of registering the companies a decision under which the own stake is registered on privatization entity, the decision based on which the own stake shall be transferred to the buyer for ex officio registry.

The provisions of this Article shall not apply to the agreement of sale of capital of large subjects of privatization.

Conditions for the Termination of the Capital Sales Agreement

Article 40

Agreement on the Sale of Capital shall be deemed terminated due to contract default if, even within the additionally approved deadlines, the buyer fails to remedy the following breaches of contractual obligations:

- 1) Failure to pay the agreed price in accordance with the sales agreement;
- 2) Disposal of privatization entity's assets contrary to the provisions of the agreement;
- 3) Disposal of privatization entity's capital contrary to the provisions of the agreement;
- 4) Failure to provide guarantees in accordance with the sales agreement.

Buyer may be granted no more than three consecutive subsequent deadlines for compliance with one contractual obligation if it has been verified that the buyer had submitted evidence of taking steps to enforce contractual obligations in the previously provided period.

Collaterals for proper performance of contractual obligations shall be activated in accordance with the agreement.

Legal transaction concluded without the consent of the Ministry responsible for economic affairs, contrary to the provisions of the sales agreement, shall be null and void.

The provisions of this Article shall not apply to the agreement of sale of capital of large subjects of privatization.

Legal Consequences of the Termination of the Capital Sales Agreement

Article 41

In case of termination due to contract default by the buyer, and in order to protect general public interest, the buyer of the capital shall lose the right:

- of refund of the amount paid on behalf of the agreed price;

- over the entire capital of the privatization entity that the buyer directly or indirectly acquired under the obligations from the sales agreement and any compensation or indemnity under the same, except shares acquired through purchase on the organized securities market.

In case of termination of the agreement on the sale of capital, the entire capital referred to in paragraph 1 of this Article including own shares acquired in the capital increase through new stakes, shall be transferred to the Register.

Funds generated from the sale of own shares shall be paid to the buyer of the capital with whom the sales agreement has been terminated, and the buyer shall lose the right to any remuneration or compensation in respect of assets and rights entered into the privatization entity, which have increased the capital of the entity.

The provisions of this Article shall not apply to the agreement of sale of capital of large subjects of privatization.

Capital Representative

Article 42

For privatization entities for which the agreement of sale has been terminated in accordance with provisions of this Law, the Ministry responsible for economic affairs shall appoint a temporary capital representative (hereinafter: Capital Representative) to manage the privatization entity until the completion of its privatization process.

Capital Representative may be a person who meets the following requirements:

- holds a university degree;
- at least 5 years of experience in the area of business of the privatization entity or in business in general;
- he/she is not a shareholder in the privatization entity or its buyer;
- has not been convicted of a criminal offence which is punishable by imprisonment or other criminal offence which makes him/her unfit to perform the duty of a representative;
- he/she is not a creditor or debtor of the privatization entity.

Capital Representative shall manage the privatization entity in proportion to the share of capital which is transferred to the Register.

Capital Representative shall in particular:

- 1) take necessary measures for the protection of property and capital in privatization entity;
- 2) manage the operations of the privatization entity as a prudent businessman, and take care of other activities that are needed to prevent the occurrence of damage to assets of privatization entity;
- 3) take measures to facilitate the completion of the privatization process;
- 4) performs other duties as required.

Capital Representative shall perform entrusted tasks independently, with due care and diligence of a prudent businessman, in accordance with the law.

Capital Representative shall be liable directly in the amount of his/her own property, for the damage

caused to a privatization entity, if the damage occurred intentionally or through gross negligence.

Claims for damages have a five years statute of limitation from the date the damage occurred.

Capital Representative's Report

Article 43

Capital Representative shall submit to the Ministry responsible for economic affairs the following reports:

- Monthly reports on the property status and business operations of the privatization entity;
- Other reports, at the request of the Agency.

The content of reports shall be prescribed by the minister competent for economic affairs.

All the reports shall be published on the official web site of the Ministry responsible for economic affairs.

A monthly report required to be submitted by the Capital Representative, shall give an overview of business performance and operating results in an observed period (month), as well as comparison of that period with the previous period (month), i.e. with the same period (month) in the previous year.

Capital Representative's Fee

Article 44

Capital Representative shall be entitled to remuneration and reimbursement of actual costs.

Remuneration costs and reimbursement of actual costs of the Capital Representative shall be borne by the privatization entity in the amount prescribed by the minister competent for economic affairs.

Capital Representative Acquittal

Article 45

The Ministry responsible for economic affairs will acquit Capital Representative if it determines that the Capital Representative does not fulfill the obligations prescribed by this Law and other acts regulating his/her actions.

Capital Representative may be acquitted at his/her personal request.

Providing conditions for trade of shares

Article 46

In case a decision on the sale of shares on the organized market is adopted in accordance with Article 9 paragraph 2 item 1 of this Law, Capital Representative shall be obliged to provide conditions for trading with shares of the privatization entity organized as a joint stock company on the organized securities market, within 90 days from the adoption of the decision.

If the Capital Representative fails to ensure share trading conditions, the Ministry responsible for economic affairs will send an order to the Belgrade Stock Exchange to include shares on the Belgrade Stock Exchange market. Belgrade Stock Exchange will include entity's shares on the market free of charge and by Agency's order.

The Ministry responsible for economic affairs will offer shares of the privatization entity for sale in accordance with current market conditions. Shares will be offered for sale for the maximum of 90 days.

The capital referred to in Article 41 paragraph 1 and 2 of this Law that is expressed in shares shall be sold with a method of public collection of bids and public bidding.

Duties of the Management Bodies of the Privatization Entity

Article 47

The management body of the privatization entity shall be obliged to undertake all legal and factual actions in order to enable the Capital Representative to manage the privatization

entity, as well as to carry out all the actions necessary for the registration of changes in the registrar competent for companies, and other competent registrars.

In case the management body does not act in the manner referred to in the previous paragraph of this Article, all the rights, obligations and competences of the management bodies, including the right to convene the Assembly of the privatization entity in the manner and within time limits envisaged by the law governing the legal status of companies, shall be transferred to the Capital Representative.

After termination of the agreement on the sale of capital, the Management Bodies of the privatization

entity cannot adopt the following decisions prior to selection of new management bodies:

- 1) On the company's capital decrease or increase;
- 2) On the acquisition or disposal of real estate or the high value assets;
- 3) On the reorganization of the company;
- 4) On pledging of items, mortgage and other manner of encumbering the property;
- 5) On giving or taking a lease on the property;
- 6) On the offset of creditors.

Decision adopted contrary to paragraph 3 of this Article shall be null and void.

Representatives of the privatization entity management bodies shall be proposed by the ministry competent for economic affairs, in proportion with the capital share transferred to the Register in the total capital of the privatization entity, within 15 days from the day of termination of the agreement on sale of capital.

V ASSET SALE

Subject of Sale

Article 48

In the privatization procedure, assets of a privatization entity or a part thereof can be sold.

Asset sale is organized and conducted by the Ministry responsible for economic affairs.

Asset Sale Program

Article 49

Program shall be adopted by the competent authority of the privatization entity.

Privatization entity shall be obliged to submit the Program to the Ministry responsible for economic affairs within 60 days from the delivery of the decision on the model method.

The Ministry responsible for economic affairs may extend the time limit for the submission of the Program for a maximum of 30 days, at the request of the privatization entity, if there are reasonable grounds for this.

The Ministry responsible for economic affairs shall be obliged to adopt a decision on acceptance, refusal, or return of Program corrections or amendments within a period of maximum 30 days from the day of receipt of the Program.

The privatization entity shall be obliged to make corrections or amendments to the Program within a time limit determined by the Ministry responsible for economic affairs, which may not exceed 30 days from the day of submission of the decision referred to in paragraph 4 of this Article.

The Program shall be considered adopted after the Ministry responsible for economic affairs passes a decision on the acceptance of the Program.

The Program adopted in accordance of this Law shall be an enforceable document.

Program Contents

Article 50*

The Program particularly contains the following: Operating data of the privatization entity, asset values, social program, i.e. obligations towards employees, environment protection program, and other data relevant for conducting sales of the assets of the privatization entity.

In addition to the data referred to in paragraph 1 of this Article, the Program shall also contain data about:

- The property that is the subject of sale,
- Property rights and encumbrances on the property that is the subject of sale,
- Claims that are settled by sales of the assets,
- Percentage share of the pledged property in the subject of sales and percentage share of the settlement of secured creditors from the proceeds obtained from the sale of pledged property,
- Terms of sale,
- Purpose of funds remaining after the settling secured creditors,
- A possibility for further operation of the privatization entity or winding up of the privatization entity,
- Other data relevant for asset sale.

The Program shall contain a signed statement of all secured creditors having a security interest on the property that is the subject of sale, that they approve the Program.

Application

Article 51

Provisions of this Law on Asset Sale shall be accordingly applied in case of Asset Sale in accordance with the Program of the privatization entity with shares or stakes of the Shareholder Fund in its capital structure.

Asset Sale Agreement

Article 52*

The agreement on sale of assets is an adhesion agreement and includes the provisions on: contracting parties, subject of sale, agreed price and payment deadline.

Agreement on sale may contain the provisions on: the amount and term of buyer's investments, obligation of conducting business, restriction of disposal of assets through alienation and encumbrance, prohibition of reducing the number of employees who are employed for an indefinite period, obligation to pay regular salaries to employees, security instruments that ensure orderly execution of contractual obligations and other provisions.

If the agreement on sale includes provisions of paragraph 2 of this Article, the obligations of the buyer usually last for two years.

Notwithstanding paragraph 3 of this Article, because of the importance of safeguarding the business activity, at the proposal of the Ministry responsible for the line of business that the subject of privatization belongs to, the period of contractual obligations lasting for three years may be stipulated in the agreement of sale.

If the agreement on sale includes provisions of paragraph 2 of this Article, the buyer shall deliver a first-class bank guarantee, unconditional, irrevocable and payable on first call that guarantees the fulfillment of contractual obligations, in accordance with the agreement on the sale of assets.

The funds raised by the collection of the bank guarantee shall be transferred to the payment account of the Budget of the Republic of Serbia.

The buyer acquires the property right after the payment of the contracted price, in accordance with the agreement of sale of assets.

Notwithstanding paragraph 7 of this Article, if the agreement on sale of assets includes provisions under paragraph 2 of this Article, the buyer acquires the property right after the payment of the contracted price and delivery of the guarantee.

The agreement on sale of assets shall be published on the website of the Ministry responsible for economic affairs, within the term of three days of its conclusion.

Assignment of the Asset Sale Agreement

Article 53

Provisions of Article 38 of this Law relating to the assignment of the Capital Sale Agreement, shall accordingly apply on the assignment of the Asset Sale Agreement.

Terms for Termination of the Asset Sale Agreement

Article 54

The Asset Sale Agreement shall be considered terminated due to a failure to fulfill contractual obligations if, even in the additionally extended time limit for fulfillment of a contractual obligation, the buyer does not eliminate following violations of contractual obligations:

- 1) Failure to pay the contracted price;
- 2) Failure to provide a guarantee in accordance with the Sales Agreement.
- 3) (Deleted)

The buyer may have maximum three consecutive extensions of the deadline for execution of one contractual obligation if it is estimated that in the previously provided additional time the buyer provided evidence that it took actions to execute contractual obligations.

Conclusion on the Settlement of Secured Creditors

Article 55

Secured creditor whose claim is secured on the property that is the subject of sale shall have the right to collect in full, before other creditors, from the proceeds generated from the sale of that part of the property.

If the creditor referred to in paragraph 1 of this Article does not settle its claims in full, the remaining amount of claims shall be settled together with claims of non-secured creditors.

Upon completion of the sale of the property, i.e. after fulfilling all the terms stipulated in the Sales Agreement for the transfer of title over the property that was the subject of sale, the Ministry responsible for economic affairs shall adopt a conclusion on the settlement of secured creditors.

The conclusion referred to in paragraph 3 of this Article shall be final and the Ministry responsible for economic affairs shall submit it to competent registrars for recording lien, for the purpose of deletion of encumbrances on the property that was the subject of sale.

Competent registrars shall be obliged to conduct deletion of encumbrances on the property that was the subject of sale ex officio and free of charge.

Article 56

(Deleted)

VI PROCEDURE AND METHOD OF CONTROL OF EXECUTION OF OBLIGATIONS UNDER THE AGREEMENT FOR SALE OF CAPITAL OR ASSETS

Control of Execution of Contractual Obligations

Article 57

The Ministry responsible for economic affairs shall control execution of buyer's contractual obligations envisaged by the sales agreement.

Control referred to in paragraph 1 of this Article shall be carried out on the basis of a report of an authorized auditor which shall be submitted by the buyer to the Ministry responsible for economic affairs for the duration of the agreement, as well as on the basis of assessment of a court expert for the investment subject.

The Government shall more closely prescribe the procedure of control of execution of contractual obligations.

The buyer and the person authorized to represent the privatization entity shall be responsible, under criminal and material liability, for the accuracy and completeness of the documentation and data submitted to the Ministry responsible for economic affairs for the purpose of implementing the procedure of control of execution of contractual obligations.

VII SALE OF SHARES AND STAKES

Application of regulations and sales criteria

Article 58

The sale of shares and stakes shall be accordingly governed by provisions of this Law that refer to the sale of capital.

Shares may also be sold in accordance with the law regulating the securities market and in accordance with the law regulating takeover of joint stock companies.

A criterion for the sale of shares out of the securities market or on the securities market shall be achievement of the highest sales price, starting from an assessed fair market value of the joint stock company capital and share price on the stock exchange.

A criterion for the sale of shares with a takeover bid shall be achievement of the highest sales price, taking into consideration an estimated fair market value of the joint stock company capital, share price on the stock exchange, and price per share offered in the takeover bid.

The decision on a method of the sale of shares i.e. stakes in the ownership of the Republic of Serbia, autonomous province and local self-government, shall be adopted by the Government, a competent authority of the autonomous province or local self-government.

Article 59

(Deleted)

Joint Sale of Individual Shareholder Shares

Article 60

Concurrently with the public collection of bids with subsequent public bidding, shares of individual shareholders of a legal person whose shares are

offered for sale in order to sell a controlling interest may also be offered for sale.

VIII TRANSFER OF CAPITAL FREE OF CHARGE

Transfer of Capital to Employees Free of Charge

Article 61

Part of the equity shall be transferred in shares and free of charge to the employees of the privatization entity with socially owned capital that is being privatized by capital sales model.

The employees referred to in paragraph 1 of this Article are citizens of the Republic of Serbia who are:

- 1) Employed or were employed in the privatization entity.
- 2) Employed in a control company or subsidiary if the privatization entity is a subsidiary or control company.

A pensioner shall also be considered to be a person previously employed in terms of paragraph 2 item 1) of this Article.

The employees shall have the right to acquire shares free of charge for every full year of employment in the privatization entity.

The right to acquire shares free of charge may be obtained for a maximum of 35 years of employment.

The right to acquire shares free of charge shall not be obtained:

- 1) When shares or assets of the privatization entity are transferred free of charge to the Republic of Serbia, autonomous province or a local self-government unit;
- 2) When the right to free shares and financial compensation was obtained in accordance with the law governing the right to free shares and financial compensation.

Decision on Share Issue

Article 62

The privatization entity shall adopt a decision on issuing shares free of charge and inform the employees thereof in a public invitation.

The privatization entity shall be obliged to adopt a decision on issuing shares free of charge within a time limit determined by the Ministry responsible for economic affairs.

The public invitation referred to in paragraph 1 of this Article shall contain data about: date, time and place of registration of shares, number of shares, nominal value of shares, and other data in accordance with the decision on issuing shares free of charge.

Public invitation shall be published on privatization entity's notice board and in the "Official Gazette of the Republic of Serbia" and in one high-circulation daily newspaper distributed throughout the territory of the Republic of Serbia.

A deadline for registration of shares free of charge shall commence from the date of publication of the public invitation in the daily newspaper referred to in paragraph 4 of this Article.

Acquiring Shares Free of Charge

Article 63

Capital intended for the acquisition of shares free of charge in the process of capital sale may not be higher than 30% of the socially owned capital being privatized.

The employees shall have the right to acquire shares free of charge in accordance with Article 64 of this Law whose total nominal value amounts to EUR 200 in RSD counter value at the official exchange rate on the date of publication of the public invitation referred to in Article 26 of this Law, for each full year of employment.

If the value of capital for the acquisition of shares free of charge is smaller than the total nominal value of the shares which the employees acquire free of charge, the employees shall have the right to a smaller number of shares, in proportion to the ratio of these values.

Legal Nature of the Free Shares

Article 64

Shares that are transferred to the employees free of charge shall be ordinary and registered on the name of the owner.

Transfer of Capital to the Strategic Investor Free of Charge

Article 65

Terms and manner of transfer of capital free of charge to strategic investor shall be determined in accordance with regulations governing the incentive of investments, on the basis of a decision of the Government.

IX STRATEGIC PARTNERSHIP

Notion of Strategic Partnership

Article 66

Strategic partnership shall be a model of privatization through an institutional relation between national or foreign legal entities (hereinafter referred to as the "strategic investor") and the privatization entity i.e. the Republic of Serbia, for the purpose of:

- Ensuring financing;
- Increasing productivity and employment;
- Management professionalization;
- Creating conditions for the production or provision of services to end users;
- Other reasons that enable performance of activity.

Manner of Implementation

Article 67

Strategic partnership shall be carried out:

- By a joint venture by establishing a new company;
- By capital increase in the existing privatization entity.

Strategic Partnership Agreement

Article 68

Contractual obligations of the strategic investor, as well as terms, method and legal consequences of termination of the agreement shall be agreed between the parties and regulated under the Strategic Partnership Agreement.

Strategic Partnership Agreement shall be published on official web sites of the Ministry responsible for

economic affairs and Serbian Government within three days after the signing date.

Control of the Execution of Contractual Obligations

Article 69

The Ministry responsible for economic affairs controls the fulfillment of contractual obligations of the strategic investor envisaged by the agreement on strategic partnership.

The control referred to in paragraph 1 of this Article shall be based on the authorized auditor's report that a strategic investor submits to the Ministry responsible for economic affairs for the duration of the contract, as well as on the basis of an assessment of the expert witness specializing in the subject of investing.

The Ministry in charge of economic affairs shall prepare a report on the conducted control, determine the fulfillment of contractual obligations and propose appropriate measures to the Government.

For the accuracy and completeness of the documentation and information provided to the Ministry responsible for economic affairs, in order to implement the process of control of fulfillment of contractual obligations, the strategic investor and the person authorized to represent the subject of privatization shall be accountable under criminal and tort liability.

Decision of the Government

Article 70

The decision on strategic partnership through foundation of new company shall be rendered by the Government, based on the proposal of the ministry in charge of economic affairs.

Foundation of New Company

Article 71

The Republic of Serbia and the strategic investor shall found new company, pursuant to the company law.

Contribution of the Republic of Serbia in the new company shall be the property acquired by the Republic of Serbia based on the claims it has towards the privatization entity for which it rendered the decision on strategic partnership.

The Republic of Serbia shall acquire ownership of the property referred to in paragraph 2 of this Article through "giving in payment" (*datio in solutum*), pursuant to the law regulating contracts and torts.

Value of the property acquired by the Republic of Serbia shall be established in the amount of 100% of evaluated fair market value.

Contribution of the strategic investor in newly founded company may be in cash or in kind.

Contract on foundation of new company referred to in paragraph 1 of this Article shall be signed by the representative of the Republic of Serbia and the strategic investor.

Pursuant to paragraph 3 of this Article, the Republic of Serbia shall acquire property proportionate to the share of state creditors' claims in the total amount of claims against the privatization entity when the capital of the privatization entity is negative.

In case there is a pledge on the property being the contribution in the new company, consent of all secured creditors must be obtained.

Property rights shall be deleted from the real estate cadastre or other public registries, upon request of the Republic of Serbia, in line with the law.

Decision on Privatization of the Remaining Property or Capital

Article 72

The Government shall, pursuant to provisions of this Law, render a Decision on further privatization procedure of the property or capital which remained after foundation of a new company, pursuant to Article 71 of this Law.

Capital Increase in the Existing Privatization Entity

Article 73

Pursuant to this Law, capital increase means increase of share capital of the privatization entity for which the Government has rendered the decision on capital increase.

Contribution of the strategic investor may be in cash or in kind.

Agreement on capital increase shall be concluded by the representative of the Republic of Serbia,

privatization entity and strategic investor, pursuant to the law which regulates companies.

Organization of the Socially Owned Company after Capital Increase

Article 74

Upon rendering the decision on capital increase, socially owned company shall be organized as a joint stock company or limited liability company.

The Ministry responsible for economic affairs shall be obliged to offer the strategic partner to purchase remaining socially owned capital not later than three months prior to expiry of the deadline for privatization of socially owned capital referred to in paragraph 2, Article 6 hereof.

In case the strategic partner fails to purchase socially owned capital referred to in paragraph 2 of this Article, that capital shall be transferred to the Shareholder Fund.

X MEASURES FOR DISBURDENING AND PREPARATION OF PRIVATIZATION ENTITIES

Criteria for Disburdening of Privatization Entities

Article 75

The Government may render a decision on the measures for preparation and disburdening of the privatization entity, once the privatization entity meets at least one of the following criteria:

- 1) strategic importance for the region;
- 2) size of property;
- 3) number of employees;
- 4) amount of income from registered predominant activity;
- 5) market potential.

Debt write-off (conditional)

Article 76

The Government may render a decision for the state creditors of the privatization entity to write off the debt as of 31 December of the last business year towards the privatization entity which operates entirely or with majority of socially owned or public capital.

State creditors shall write off the debt towards subordinate (subsidiary) company:

- 1) which, in its capital structure, has majority capital of controlling (parent) company which operates with majority socially owned or public capital;
- 2) in which socially owned and public capital presents majority together with the capital of the controlling company.

The decision on debt write-off referred to in paragraph 1 of this Article may be rendered when the subject is privatized through sale of capital, or strategic partnership through capital increase, or as a measure of Pre-Packaged Reorganization Plan (PPRP) pursuant to the law which regulates bankruptcy.

Debt write-off shall be valid in case capital of the privatization entity was sold, capital increase was done by the strategic partner or in case a valid decision confirming PPRP of the privatization entity was adopted.

Debt - Equity Swap (conversion)

Article 77

In the process of privatization, creditor's claims may be converted into capital contribution in the privatization entity, if the Government renders a decision on conversion of state creditors' claims into capital contribution in the privatization entity.

State creditors shall be obliged to convert claims into capital in case the Government adopted the decision referred to in paragraph 1 of this Article.

Decision on conversion may be rendered after the decision had been rendered on the model of privatization through sale of capital or strategic partnership through capital increase or as a measure of Pre-Packaged Reorganization Plan (PPRP), pursuant to the law regulating bankruptcy.

Rendering Decision on Conversion

Article 78

Relevant authority of the privatization entity shall render a decision on conversion of creditors' claims into capital contribution in the privatization entity.

Decision referred to in paragraph 1 of this Article contains the data on the basis and amount of claims

to be converted in the share capital of the company and the capital structure after conversion.

Along with the decision referred to in paragraph 1 of this Article, special opinion of the auditor pertaining to the audit of financial statement items that are subject of conversion, which is a mandatory element of documentation delivered to the Ministry responsible for economic affairs and the Government, shall be submitted.

Competent body in the privatization entity shall render a decision on capital increase pursuant to the provisions of the law regulating companies.

Subject of the conversion may be claims which were due at least 6 months before adoption of the Government's decision and must be presented in annual financial statements, which are the subject of review and adoption by the company assembly.

Conversion of creditors' claims into capital contribution in the privatization entity shall not be done by persons which, pursuant to Article 12 of this Law, cannot be buyers of the capital.

XI PRIVATIZATION OF SOCIALLY OWNED CAPITAL FROM SUCCESSION

Manner of Privatization

Article 79

Capital of socially owned companies in the Republic of Serbia which were founded by the companies with the seat on the territory of the former SFRY republics shall be privatized pursuant to the provisions of this Law.

Proceeds from the sale of companies referred to in paragraph 1 of this Article shall remain on the special purpose account of the Ministry responsible for economic affairs, and be used in line with agreements regulating the succession issues.

XII INITIATION OF BANKRUPTCY FOR THE PURPOSE OF COMPLETION OF PRIVATISATION

Bankruptcy Reasons

Article 80

The Ministry responsible for economic affairs may file a motion for initiation of bankruptcy of the privatization entity in case one of the following bankruptcy reasons has been met:

- failure to perform business activity in the period longer than 6 months,

- lack of interest in privatization,

- it has not had employees in the period longer than 6 months,

- decision on model and method of privatization has not been rendered after expiration of deadline referred to in Article 21 of this Law,

- in case the Program has not been adopted due to lack of consent from the creditors pursuant to Article 50 of this Law,

- in other cases defined by the law on bankruptcy.

If a privatization entity with majority socially owned capital has not been privatized within the period specified in Article 6, paragraph 2 of this Law, the Ministry responsible for economic affairs shall file a motion for bankruptcy of the privatization entity.

XIII PRIVATIZATION OF THE PRIVATIZATION ENTITY WITH MINORITY CAPITAL

Privatization of Minority Capital

Article 81

In case the subject of privatization is capital which constitutes less than 50% of the total capital of the privatization entity, provisions of this law pertaining to sale of assets, strategic partnership, measures for preparation and initiation of bankruptcy for the purpose of completion of privatization, shall not apply.

XIV SPECIAL PROVISIONS

Costs of Third Parties in Dealing with the Ministry responsible for Economic Affairs

Article 82

Costs of privatization borne by third persons, i.e. privatization entities, cooperatives and buyers in the process of privatization, as well as other legal entities and natural persons, shall be charged by the Ministry responsible for economic affairs in the amount of real costs.

Real costs pursuant to paragraph 1 of this Article include the costs:

- for addressing requests for issuing consent of the companies which operate with majority socially owned capital, pursuant to the provisions regulating companies;

- for addressing requests for issuing consent of privatization entities, pursuant to Article 95 of this Law;

- for addressing requests for issuing consent of the companies in which the Ministry responsible for economic affairs appointed a representative of capital;

- for addressing requests for issuing consent of the cooperatives, pursuant to the provisions of the law regulating cooperatives;

- for annexes to the agreements;

- other costs.

Minister in charge economic affairs shall define the amount and type of costs which are recognized as real costs referred to in paragraph 1 of this Article.

The Commission for the Activities in giving Approvals

Article 82a

For giving of approvals in accordance with this Law, the law governing legal status of business companies and cooperatives, the Minister responsible for economic affairs shall establish one or more commissions.

The commission referred to in paragraph 1 of this Article shall have five members, of whom one shall be the president of the commission.

Members of the commission are the representatives of the Ministry responsible for economic affairs.

A member of the commission must meet the following criteria:

- 1) Have a degree in college and at least seven years of work experience in the profession;
- 2) He is an expert in one of the following economic fields - field of privatization, field of legal status and operation of companies, field of bankruptcy, field of legal status and operation of cooperatives;
- 3) Being selected as a member of the commission, he is not in conflict of public and private interest;

4) He is not a shareholder, stake owner or a buyer of the subject of privatization;

5) He does not own the shares, stakes or assets of the strategic investor.

The commission shall decide by majority vote of all members.

Commission for Control of fulfillment of Buyer's or Strategic Investor's Obligations stipulated in the Agreements concluded in the Process of Privatization

Article 82b

The Minister responsible for economic affairs shall form a Commission for control of the fulfillment of the obligations of the buyer or the strategic investor from the agreements concluded in the privatization process (hereinafter: the Commission for Control).

The Commission for Control shall make decisions on fulfillment of obligations of the buyer, decisions on provision of extended term for fulfillment of contractual obligations of the buyer, decisions on the termination of the sale agreement, as well as other decisions in accordance with the act of Government which prescribes in detail the procedure of control of fulfillment of contractual obligations.

The Commission for Control has five members, one of whom is the President of the Commission.

Three members of the Commission for Control are the representatives of the Ministry responsible for the economic affairs, and two members are representatives of the Ministry responsible for financial affairs and the Ministry responsible for labor, employment, war veteran and social issues.

The provisions of Article 82a para. 4 and 5 of this Law shall also apply to the Commission for Control.

Environmental Protection

Article 83

Funds for eliminating damage inflicted on the environment by the privatization entity before conclusion of the agreement on sale, i.e. agreement on capital increase, shall be provided from the budget of the Republic of Serbia.

The Government of the Republic of Serbia shall prescribe in more details the manner and terms for

use of funds referred to in paragraph 1 of this Article.

XV SUPERVISION OF LAW IMPLEMENTATION

Competence and Content

Article 84

The Government shall conduct supervision of actions of the ministry in implementation of this Law.

The Ministry shall submit, to the relevant committee of the National Assembly of the Republic of Serbia, regular monthly reports on the status of the privatization process, concluded agreements on sale of capital or assets, with attached agreements, initiated privatization processes, work of the subjects competent for implementation of privatization process listed in Article 7 of this Law, as well as provide all necessary data and information as requested by the competent committee.

XVI CRIMINAL OFFENSE

Liability of Responsible Person

Article 85

The responsible person in the subject of privatization referred to in Article 20 para. 1 and 3 of this laws, which does not submit the data within the prescribed term, as well as the responsible person in the subject of privatization referred to in Article 24 paragraph 4, Article 49 paragraph 1 and Article 57 paragraph 4 of this law who submits to the Ministry responsible for economic affairs falls or incomplete data on assets and liabilities of the subject of privatization or submits falls or incomplete documentation, shall be punished by prison term of three months to five years, and a fine of 100,000 to 1,000,000 dinars.

XVII DUE APPLICATION OF THE LAW AND SUSPENSION OF THE PROCEDURE

Due Application

Article 86

Provisions of this Law which pertain to shares shall apply accordingly to stakes.

Suspension of Procedure

Article 87

The Ministry responsible for economic affairs shall suspend the procedure of privatization in case it becomes aware of the circumstances which prevent sale of capital or assets of the privatization entity.

The Ministry responsible for economic affairs shall suspend the privatization procedure in case it is determined that the privatization entity is not at the registered address, does not conduct business activity, does not have employees or legal representative, or if for other objective reasons, it is not possible to implement the privatization procedure thereof.

Decision on suspension of the privatization procedure referred to in paragraph 2 of this Article, shall be delivered by the Ministry responsible for economic affairs to the relevant company registry which shall delete these companies free of charge.

XVIII TRANSITIONAL AND FINAL PROVISIONS

Continuation of Initiated Procedures and Use of Funds on the Agency's Account

Article 88

Privatization procedures initiated pursuant to the Law on Privatization ("Official Gazette of RS", no. 38/01, 18/03, 45/05, 123/07, 123/07 - oth. law, 30/10 - oth. law, 93/12, 119/12, 51/14 and 52/14 - C), shall continue pursuant to the provisions of this Law.

For the privatization entities for which the initiative was launched pursuant to the law referred to in paragraph 1 of this Article, the initiative shall not be launched pursuant to the provisions of this Law.

Agreements on sale of capital or assets concluded until the day this Law came into force, in case of buyer's default, shall be terminated pursuant to the regulations which were in force until the effectuation date of this Law.

With coming into force of this Law, temporary representatives of capital shall continue to perform their duty, in line with act on appointment and this law.

Proceeds from sale of assets of the privatization entities in restructuring pursuant to the provisions of the Law on Privatization ("Official Gazette of RS", no. 38/01, 18/03, 45/05, 123/07, 123/07 - oth. law, 30/10 - oth. law, 93/12, 119/12, 51/14 and 52/14 - CC) that are, on the effectuation date of this Law, deposited on temporary account of the Agency,

pursuant to the Regulation on the method and terms for execution of obligations of privatization entities towards creditors ("Official Gazette of RS", no. 45/06, 108/07, 126/07 and 60/08), shall remain on the temporary account of the Agency and shall not be the subject of compulsory enforcement until completion or suspension of the privatization procedure, after which they shall be transferred to the account of the privatization entity.

Privatization of Remaining Capital Privatized under Previous Regulations

Article 89

If a company, which until the effectuation date of this Law completed privatization of more than 50% of socially owned capital, pursuant to the provisions of the Law on Socially Owned Capital ("Official Gazette of SFRY", no. 84/89 and 56/90) and the Law on Conditions and Procedure of Conversion of Socially Owned Property into other types of Property ("Official Gazette of RS", no. 48/91, 75/91, 48/94 and 51/94), as well company which, until the effectuation date of this Law, completed privatization of the part of the capital pursuant to the provisions of the Law on Ownership Transformation ("Official Gazette of RS", no. 32/97 and 10/2001), is not privatized within the deadline defined by Article 6 of this Law, as of the day of expiration of that deadline, 70% of socially owned capital that is not privatized shall be transferred to the Shareholder Fund, and 30% of socially owned capital that is not privatized shall be transferred to the employees free of charge, pursuant to the provisions of Articles 61-64 of this Law.

In case the decision on transfer of capital to the Shareholder Fund has been rendered for the company referred to in paragraph 1 of this Article, the company shall transfer the shares and stakes to the Shareholder Fund not later than within 30 days as of the date of the decision.

In case a company referred to in paragraph 1 of this Article fails to transfer shares or stakes to the Shareholder Fund within the deadline referred to in paragraph 2 of this Article, ministry in charge of economic affairs shall render the decision on transfer of those shares, i.e. stakes.

The decision referred to in paragraph 3 of this Article shall be final.

The Shareholder Fund shall submit the application for registration in relevant registries, which shall be obligated to perform registration without a fee within 8 days as of the date of the decision referred to in paragraph 4 of this Article.

Exception from the Law

Article 90

Provisions of this Law shall not apply to the privatization entities for which, until the effectuation date of this Law, the Agency rendered the decision that the representative of capital should undertake measures in order to initiate bankruptcy procedure.

Notifying Competent Registry

Article 91

Within the period of 15 days as of coming into force of this Law, the Agency shall deliver to the registry of companies list of privatization entities, which were in restructuring on the effectuation date of this law.

Competent registry referred to in paragraph 1 shall, ex officio, delete mark "in restructuring" from the business name of the privatization entity.

Deadline for Adoption of By-laws

Article 92

By-laws which shall be adopted based on the authorizations stipulated by this Law shall be adopted within 30 days as of coming into force of this Law.

Termination of other Laws

Article 93

On the effective date of this Law, the Law on Privatization ("Official Gazette of RS", no. 38/01, 18/03, 45/05, 123/07, 123/07 - oth. law, 30/10 - oth. law, 93/12, 119/12, 51/14 and 52/14 - CC) and regulations adopted based on that law shall be repealed.

Notwithstanding paragraph 1 of this Article, Article 11 of the Regulation on the process and method of restructuring ("Official Gazette of RS", no. 52/05, 96/08, 98/09, 44/13 and 59/13) shall stay in force until completion of the sale process of privatization entities that were in restructuring on the effective date of this Law.

Privatization entities referred to in paragraph 2 of this Article shall not, without consent of the Agency, render decisions referred to in Article 11 of the Regulation on the process and method of restructuring ("Official Gazette of RS", no. 52/05, 96/08, 98/09, 44/13 and 59/13).

Decisions rendered contrary to paragraph 3 of this Article shall be null and void.

Settlement of Creditors' Claims

Article 94

Within 60 days as of the date of the decision on the model of privatization pursuant to this Law, the Agency shall record Requests for payment of creditors' claims filed pursuant to the Law on Amendments to the Law on Privatization ("Official Gazette of RS", number 51/14), and establish the amount of claims for each creditor and prepare proposal for settlement of claims which shall be delivered to the creditors.

Procedures of compulsory enforcement and forced collection against the privatization entities which were in restructuring on the effective date of this Law, and which were suspended pursuant to Article 20ž of the Law on Privatization ("Official Gazette of RS", no. 38/01, 18/03, 45/05, 123/07, 123/07 - oth.law, 30/10 - oth.law, 93/12 119/12), may be continued after 180 days as of the expiration of the deadline for adoption of the decision on model of privatization of the privatization entity.

Procedures of compulsory enforcement and forced collection against privatization entities that were in restructuring on the effective date of this Law, and which were not initiated until this Law came into force, may be initiated upon expiration of the deadline referred to in paragraph 2 of this Article.

Procedures of compulsory enforcement and forced collection against companies for professional rehabilitation and employment of disabled persons that were in restructuring on the effective date of this Law, and which were suspended pursuant to Article 20ž of the Law on Privatization ("Official Gazette of RS", no. 38/01, 18/03, 45/05, 123/07, 123/07 - oth.law, 30/10 - oth.law, 93/12 and 119/12), may be continued after the adoption of regulations governing the position of these companies, and not later than upon the expiration of the period referred to in paragraph 2 of this Article.

Procedures of compulsory enforcement and forced collection against companies for professional rehabilitation and employment of disabled persons that were in restructuring on the effective date of this Law, and which were not initiated until this Law came into force, may be initiated upon passing of law that regulate the status of such companies, but not later than upon expiry of the deadline set in paragraph 2 of this Article.

Provisions of this Article shall not apply to the privatization entity for which the Agency, pursuant to the Government act, renders a decision on initiation of bankruptcy, as well as the privatization entity for which the Agency gave consent for PPRP.

Coming into Force

Article 95

This Law shall come into force on the eighth day as of its publishing in the "Official Gazette of the Republic of Serbia".

Independent Articles of the Law on Amendments to the Law on Privatization

("Off. Herald of RS", No. 46/2015)

Article 11

For the subjects of privatization whose privatization procedure is initiated after entry into force of this law, the deadline referred to in Article 4 of this law shall begin on the day of delivery of the initiative to the subject of privatization.

Article 12

Against the subject of privatization on whose behalf until the day this law came into force the Privatization Agency published the public invitation for sale of capital and assets, the compulsory enforcement and forced collection proceedings referred to in Article 94, para. 2 and 3 of the Law may not be continued or initiated until the privatization process was completed in accordance with the Law, or until the procedure of sale of assets and capital was declared unsuccessful, after the third published public call for sale of capital or assets, and the latest until October 31st 2015.

Against the subject of privatization on whose behalf until the day this law came into force the

Privatization Agency published the public invitation for selection of strategic investor, the compulsory enforcement and forced collection proceedings referred to in Article 94, para. 2 and 3 of the Law may not be continued or initiated prior to conclusion of the strategic partnership agreement, or until the procedure was declared unsuccessful, and the latest until October 31st 2015.

Against the companies for professional rehabilitation and employment of persons with disability that were in restructuring on the day the Law came into force, the compulsory enforcement and forced collection proceedings referred to in Article 94, para. 4 and 5 of the Law may not be continued or initiated until October 31st 2015.

Article 13

Against the subject of privatization which has been determined by a Government decision as the subject of privatization of strategic importance and the subject of privatization whose business seat is located or main business activities are performed in the territory of the Autonomous Province of Kosovo and Metohija, or whose assets are also located in the territory of the Autonomous Province of Kosovo and Metohija, the compulsory enforcement and forced collection proceedings may not be continued or initiated within one year from the day this law enters into force.

Article 14

If a company, which until the day of entry into force of this law completed the privatization of more than 50% of socially owned capital, according to the provisions of the Law on Social Capital ("Official Gazette of SFRY", No. 84/89 and 56/90) and the Law on Conditions and Procedure of Transformation of Social Property into other Forms of Property ("Official Herald of RS", No. 48/91, 75/91, 48/94 and 51/94), fails to get privatized in within the deadline prescribed by Article 6 of the Law, on the day of expiry of that deadline, 70% of non

privatized capital shall be transferred to the Shareholders Fund, and 30% of non-privatized part of social capital shall be transferred to employees without compensation, in accordance with the provisions of Art. 61-64 of the Law.

If a company, which until the day of entry into force of this law completed the privatization of a part of capital according to the provisions of the Law on

Property Transformation ("Official Herald of RS", No. 32/97 and 10/01) fails to get privatized within the deadline prescribed by Article 6 of the Law, on the day of expiry of that deadline 100% of non-privatized part of the socially owned capital shall be transferred to the Shareholders Fund.

If a company whose socially owned capital makes less than 50% of total capital of the company, is not privatized within the deadline prescribed by Article 6 of the Law, on the day of expiry of that deadline 100% of non-privatized part of the socially owned capital shall be transferred to the Shareholders Fund.

If a decision on transfer of capital to the Shareholders Fund was adopted, concerning the company under para. 1 to 3 of this Article, the company shall transfer the stocks or shares to the Shareholders Fund the latest within a term of 30 days from the day that decision was adopted.

If the company under para. 1 to 3 of this Article fails to transfer the stocks or shares to the Shareholders Fund within the term under para. 4 of this Article, the ministry in charge of economy shall adopt a decision to transfer those stocks or shares.

The decision under paragraph 5 of this Article shall be final.

The Shareholders Fund shall submit the application for inscription into competent registers who shall execute the inscription without compensation within the term of eight days of the day the decision under paragraph 6 of this Article was adopted.

Article 15

Privatization procedures commenced until the day this law came into force shall continue according to the provisions of this law.

Article 16

Within 30 days of the day this law comes into force the subjects of privatization for which a public invitation for sale of capital was published prior to the day this law came into force, shall submit to the Agency the inventory and appraisal of fair market value of total assets and liabilities with the balance on the day of December 31st 2014.

Article 17

The ministry in charge of economy shall continue to perform control and verification of procedures of

property transformation and appraisal of the value of capital that were initiated but not finalized, as well as control of appraisal of the capital of participants in status changes.

Article 18

This law shall enter into force on the day of its publishing in the "Official Herald of the Republic of Serbia".

Independent Articles of the Law on Amendments to the Law on Privatization

("Off. Herald of RS", No. 112/2015)

Article 31

The Privatization Agency, established by the Law on Privatization Agency ("Official Herald of RS", Nos. 38/01, 135/04, 30/10, 115/14 and 89/15 - other law), shall be cease to operate on the day this Law starts applying.

The Ministry responsible for economic affairs shall monitor the fulfillment of obligations of the Privatization Agency undertaken in accordance with this Law, except for tasks under paragraph 3 of this Article.

The tasks used to be performed by the Privatization Agency in the function of representation in proceedings before courts, arbitrations, administrative bodies and other competent authorities, in which the Privatization Agency had the position of a party or intervener, and which were initiated before 1 February 2016, shall be taken over by the Agency for conducting disputes in the privatization process, which shall be established by the Government within 30 days from the day this Law enters into force.

Agency for conducting disputes in the privatization process shall be considered to be the legal successor of the Privatization Agency in judicial and other proceedings referred to in paragraph 3 of this Article.

The activities of representation of the Republic of Serbia in proceedings before courts, arbitrations, administrative bodies and other competent bodies initiated after 1 February 2016 in connection with the privatization activities taken over by the Ministry responsible for economic affairs shall be performed by the State Attorney's Office, in accordance with the law.

The Agency for conducting disputes in the privatization process, at the date of commencement of work, shall take over from the Privatization Agency rights and obligations, cases, equipment, work tools and archives, which are used in representation in proceedings referred to in paragraph 3 of this Article, as well as employees assigned to the activities of representation.

On the day this law starts applying the Ministry responsible for the economy shall take over from the Privatization Agency rights and obligations, cases, equipment, work tools and archives, which are used for carrying out tasks under this Law, as well as employees assigned to jobs related to privatization, capital markets and control of fulfillment of contractual obligations.

The employees of the Privatization Agency who fail to be taken over in terms of para. 6 and 7 of this Article shall have their employment terminated on the day the Privatization Agency ceases operating, but shall be paid a severance pay in accordance with the law regulating the reduction of the number of employees in the public sector.

Article 32

Shares and stakes of the portfolio of the Privatization Agency that had been, up to the day this Law started applying, transferred on the basis of terminated agreements, shall be transferred to the Register.

Article 33

The Central Registry shall ex officio, within the term of 15 days from the day this Law starts applying, transfer the shares under Article 32 of this Law, from the proprietary account of the Privatization Agency to the proprietary account of the Registry.

The agency responsible for the registration of business entities shall, ex officio, within the term of 15 days of the day this Law starts applying, change the owner of the stake referred to in Article 32 of this Law from the Privatization Agency to the Registry.

Article 34

Privatization procedures initiated before the day this Law starts applying shall continue in accordance with the provisions of this Law.

Notwithstanding the deadline for privatization of socially owned capital as defined in Article 6, paragraph 2 of the Law on Privatization ("Official

Herald of RS", Nos. 83/14 and 46/15), initiated proceedings of public collection of bids with subsequent public bidding for which the public call was published up to the date of entry into force of this Law, shall continue in accordance with that public call, and the said deadline shall not apply to the subjects of privatization for which the process of determining the share of state property in the funds that subject uses under Article 48 of the Law on Assets in the Property of the Republic of Serbia ("Official Herald of RS", Nos. 53/95, 3/96 - correction, 54/96, 32/07 and 101/05 - other law), or the procedure of taking over proprietary rights to socially owned capital, were initiated.

If in the procedures referred to in paragraph 2 of this Article, privatization is not carried out in accordance with Article 6, paragraph 6 of the Law on Privatization, or if after completion of the procedure for determining the share of state property in the funds that the subject of privatization uses existence of socially owned capital is detected, or if the Republic Serbia fails to take over the property rights, the Ministry responsible for economic affairs shall submit a bankruptcy petition, or the provisions of Article 14 of the Law on Amendments to the Law on Privatization ("Official Herald of RS", No. 46/15) shall apply *mutatis mutandis*.

Objections and appeals proceedings which the Ministry responsible for economic affairs has not decided until the day this Law starts applying shall be finalized in accordance with the provisions of this Law.

On the day this Law starts applying a lien right that the Privatization Agency had on the capital which has been the subject of sale shall be transferred to the Ministry responsible for economic affairs and the competent authority shall *ex officio* register that lien.

The funds that were provided for in the Law on Budget of the Republic of Serbia for 2016 ("Official Herald of RS", No. 103/15), for distribution by the Ministry responsible for economic affairs to the Privatization Agency, shall be diverted to finance operations which that ministry and the Agency for conducting disputes in the privatization process take over under this Law.

Article 35

By-laws, adopted under the authority of the Law on Privatization ("Official Herald of RS", Nos. 83/14 and 46/15), shall be harmonized with the provisions of

this Law within 30 days from the date of entry into force of this Law.

Article 36

On the day this Law starts applying, the Law on Privatization Agency ("Official Herald of RS", Nos. 38/01, 135/04, 30/10, 115/14 and 89/15 - other law) and regulations adopted under that law shall cease to be valid.

Article 37

This Law comes into force on the day that follows the day of its publication in the "Official Herald of the Republic of Serbia", and shall apply from 1 February 2016, except for Article 34, para. 2 and 3 of this Law, which shall apply from the day of entry into force of this Law.